

MOTION FILED

AUG 17 1978

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IN THE  
**Supreme Court of the United States**  
OCTOBER TERM 1978

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No. 77-1413

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JANE ARONSON, *Petitioner*

v.

QUICK POINT PENCIL COMPANY, *Respondent*

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**MOTION FOR LEAVE TO FILE BRIEF  
AND ANNEXED  
BRIEF IN BEHALF OF THE  
LICENSING EXECUTIVES SOCIETY (U.S.A.), INC.,  
AS AMICUS CURIAE**

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**MOTION OF THE LICENSING EXECUTIVES SOCIETY  
(U.S.A.), INC., FOR LEAVE TO FILE A BRIEF AS  
AMICUS CURIAE**

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The Licensing Executives Society (U.S.A.), Inc. ("LES"), respectfully moves this Court for leave to file instanter the accompanying brief in this case as *amicus curiae*. The consent of the attorney for Petitioner has been obtained, but the attorney for Respondent has refused to give consent to the filing of a brief by LES. The interest of LES in the issue before the Court transcends the interests of the parties to this action. The position of LES tends to favor Petitioner; the attorney for Respondent was so informed when his consent was sought.

The issue presented to the Court by the petition is whether an express contract providing for the payment of a running royalty as consideration for the revelation of and the right to commercialize a simple device, not patented and not susceptible to trade secret protection once commercialized, should be affected by the patent laws.

LES is a not-for-profit corporation organized under the laws of the State of New York. It consists of over 1500 members in the United States, and an equal number in affiliated foreign societies, all of whom have a significant responsibility for technology development, transfer (licensing), marketing and utilization by the public in the United States and in foreign countries. The members of LES represent both large and small companies, as well as universities, independent invention development organizations, attorneys and consultants.

The members of LES are involved in licensing technology on a daily basis on behalf of their employers or clients, and most are equally active as licensors and licensees. Their work involves continuing contact with the financing and generation of new technology, with procedures to bring the technology developed to public enjoyment, and with the interrelation between the necessity for technology protection and the ability to find financing for its development. They are persons who buy, sell and direct the protection of billions of dollars worth of technology which is endangered by the

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<sup>1</sup> This brief has been authorized by the eighteen-member Board of Trustees of LES.

decision below.<sup>2</sup> They, perhaps more so than any other group, are personally acquainted with the real-world economics of know-how, and the effects of laws and government policies upon know-how development, transfer, marketing and utilization.

It is apparent that the legal issue before the Court has significant public interest implications affecting far more businesses and people than the parties to the case. Members of LES are not the only ones affected, but they represent a significant portion of the affected group.

LES has no business interest in the outcome of the case before the Court, but has a vital interest that the law made in this case is sociologically sound as applied to encouraging and fostering new technology and major investments in research and development of technology and making it available for the enjoyment of the public. LES became aware of the fact that an *amicus curiae* brief was being prepared by the American Patent Law Association ("APLA"), made inquiry as to the substance of that brief, and in the annexed brief, LES advances its own points and adopts the brief of ALPA.

LES and its members nevertheless view with high interest and are necessarily concerned with the possibility that some important aspect of the facts and legal

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<sup>2</sup> The available figures are soft. But they convincingly portray the assured fact that confidential know-how information, mostly unpatented know-how wherein the individual elements may not be real secret, but the collation and combination of such elements are secret and of high value, being the result of considerable expenditure of time, effort and expense, is licensed by United States industry at an annual rate of income approximating one billion dollars.

question before this Court might go unconsidered in the briefs and arguments presented by the parties; and wherefore, presents to the Court this earnest motion for leave to file the annexed brief *amicus curiae* instant.

Respectfully submitted,

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**BRIEF ON THE BEHALF OF THE  
LICENSING EXECUTIVES SOCIETY (U.S.A.), INC.,  
AS AMICUS CURIAE**

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**INTEREST OF THE AMICUS CURIAE**

The Licensing Executives Society (U.S.A.), Inc. ("LES"), is a not-for-profit corporation organized under the laws of the State of New York. It consists of over 1500 members in the United States, and an equal number in affiliated foreign societies, all of whom have a significant responsibility for technology development, transfer (licensing), and marketing to and utilization by the public. The members of LES represent both large and small companies, as well as uni-



versities, independent invention development organizations, attorneys and consultants.

The character of LES and its interest in the facts and question of law presented on petition is explained in its Motion for Leave to File a Brief as *Amicus Curiae*, to which this brief is annexed.

### ARGUMENT

#### I. The Licensing Executives Society (U.S.A.), Inc. Adopts the *Amicus Curiae* Brief of the American Patent Law Association.

The Board of Trustees of The Licensing Executives Society (U.S.A.), Inc. ("LES"), requested and received copies of a draft of the *amicus curiae* brief of the American Patent Law Association ("APLA"). The APLA brief is considered to be consistent with the views of LES. Accordingly, LES adopts and incorporates by reference the brief to be filed in this case by APLA as though the APLA brief were the brief of LES.

#### II. Additional Argument by the Licensing Executives Society (U.S.A.), Inc.

LES, in addition to adopting the *amicus curiae* brief of the APLA, advances the following comments:

1. The public interest is involved in that the legal capacity of industry and individuals to trade in and contract with respect to technology is of great importance to the basic economics of technology development, transfer and utilization. Technology can range from the simple device (key holder) involved in the matter now before the Court to high technology.

This simple device is one that, unless patented, would become publicly available at the time it is commercialized in that, in view of its simplicity, once seen, it could be easily and readily duplicated; thus once commercialized, it would not be susceptible to trade secret protection.

The contract involving this simple device provided a basis for bringing the device to the marketplace. Otherwise, it might not have been commercialized and thus enjoyed by the public; but, of even greater moment, if the decision of the majority of the court below is applied to high technology (e.g. know-how) licenses of largely unpatented information in accumulated form which remains substantially confidential when commercialized, the decision would have a larger and economically undesirable effect on the technology base of the nation.

2. The parties before the Court bargained at arms length. The character of the technology (the simple device—a key holder) compelled a recognition on the part of the parties that, unless patent protection was obtained, the licensee would not enjoy a preferred position in the marketplace.

The parties contemplated that the device might not be patented in that there was one royalty (5%) if the device were patented, and a lesser royalty (2½%) if it were not patented.

The matter of payment of a royalty is predicated upon the agreement of the parties, a running royalty having been chosen instead of a fully paid-up royalty, i.e. one paid "up front".

3. The matter before the Court is premised solely on contract law since the device was not patented and

not susceptible to trade secret protection once introduced to the public, thus there is no basis for precluding others from making, using or selling it once it is introduced to the public, save for the parties themselves by virtue of the terms of the contract between them.

A patent was not obtained; the patent statute, Title 35, U.S. Code, cannot properly be said to preempt the right of business and citizens to expressly contract as they wish for rights to technology.

The matter before the Court, if anything, is an evaluation of the consideration for the revelation of and right to commercialize the simple device involved in the contract; this evaluation of consideration should be premised on a simple contract thesis, not on a thesis premised on patent or trade secret considerations.

If any express contract for the payment of royalties, directed to nonpatentable subject matter which is not susceptible to trade secret protection once commercialized, should be modified by the hindsight of judicial review, let it be reformed by the principles of equitable reformation; but let it not be said to be preempted by the patent law, the Constitutional basis for which did not concern such subject matter.

#### CONCLUSION

The issue before the Court is directed to a simple contract involving a running royalty as consideration for the revelation of and right to commercialize a simple device. This device, although patent protection was sought, is not patented and is not susceptible to trade secret protection once commercialized. The parties contemplated that it might not be patented. The consideration to be paid by Respondent was agreed to in arms-

length bargaining and was to be paid irrespective of patent coverage—5 percent if a patent was obtained, 2½ if not. The parties contemplated continuation of the contract irrespective of obtaining patent coverage; as noted, no patent was obtained.

Patent law and the law of enforceability of patent license contracts should not be and are not involved in this instance. If anything, the law of contract reformation based upon principles of equity might be involved. The decision of the majority of the court below, applying patent law, if applied to licensing of largely unpatented, but none-the-less confidential technology, would have a major and economically undesirable effect on the technology base of our nation.

Respectfully submitted,

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